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News Release

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Investment Banker Convicted of Tax Evasion

Minneapolis - Stephen Richards Barker, an investment banker currently living in Maple Grove, Minnesota, was convicted on four counts of tax evasion earlier today in federal court in St. Paul. The jury's verdict followed a six-day trial before United States District Court Judge Paul A. Magnuson. The jury deliberated for five hours before finding Barker, age 51, guilty of the crime.

Evidence at Barker's trial showed that beginning in 1996, Barker and his wife established several sham trusts in the Principality of Andorra, a small nation on the border between France and Spain. Barker and his wife owned, controlled, and were the beneficiaries of those trusts, which were used to evade the payment of taxes.

Barker also owned and controlled offshore companies for the purpose of evading the payment of taxes. Two such companies were set up in St. Kitts and Nevis, a small island state in the West Indies.

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In addition, Barker used some domestic entities to evade the payment of taxes. For example, he utilized the services of a company in the business of assisting people in evading taxes and other debts. Through that company, Laughlin International, Barker obtained control of Shasta Property Management, Inc., a Nevada corporation. Although he was not a listed owner or officer of the company, Barker controlled the company through others who assisted him in tax evasion. In fact, four individuals associated with Laughlin International were previously charged and convicted of tax-related offenses.

From at least the mid-1980s until approximately July of 2006, Barker also worked in the investment brokerage business. Between 1994 and 1997, he earned in excess of \$3,800,000.

For tax years 1995, 1996, and 1997, Barker did not file income tax returns. Based on the information reported to the Internal Revenue Service by his employers and others, however, Barker was assessed with federal income taxes, penalties, and interest due and owing in the amount of \$813,401.06 for tax year 1995; \$979,574.78 for tax year 1996; and \$398,343.44 for tax year 1997.

Barker was notified by the Internal Revenue Service that he owed a total of \$2,270,870.68 in federal income taxes, penalties, and interest for the tax years 1994 through 1997. By 2003, Barker knew his tax debt for those same years had grown to more than \$2,500,000.00.

To avoid paying this debt, Barker placed assets in the names of others and in the names of sham trusts and companies he controlled. He also transferred assets out of the country, avoided holding assets or receiving income in his own name, and paid for personal expenses with cash or assets held by his sham trusts and companies. Moreover, he made false statements to agents of the Internal Revenue Service and attempted to destroy records.

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For example, in 1998, Barker filed a quit claim deed, transferring to his wife his share of the Florida home they had owned jointly. Then, in June of 2000, the home was sold for \$2.2 million. According to the settlement statement, the Barkers received no proceeds from the sale. However, evidence at trial showed that over \$1 million of the sale proceeds went to pay off a lien that Barker had caused his father-in-law to file against the home on behalf of B. Capital Management. Thereafter, Barker and his wife used money from the B. Capital Management accounts for their personal benefit, including rent payments, private school tuition for their children, the purchase of furniture and vehicles, and credit card payments.

Trial evidence indicated that Barker also purchased a \$470,000 condominium in Florida in the name of Shasta Property Management, Inc. He paid for the property in full with a \$1,000 check drawn on a B. Capital Management account for the down payment and the balance being funds wired into the Shasta Property Management bank account from an offshore account with the Bank of Nevis. The property was used as a home for the Barkers, but Barker prepared a commercial lease for the property, making it appear that Shasta Property Management was leasing the property to B. Capital Management and Tower Finance Ltd. At the same time, the Barkers owned a home in McGregor, Minnesota, as well as one in Bristol, Rhode Island; and they rented another home in Naples, Florida, for \$72,000 a year.

In addition, Barker purchased a 2000 Cadillac Escalade, and when he sold the car, he deposited the proceeds into the checking account for B. Capital Management. He also purchased boats and trailers as well as a Mercedes SUV and a Mercedes wagon with funds from his sham companies and trusts. At one time, he owned four Mercedes vehicles. Trial evidence showed numerous examples of how Barker evaded paying his taxes even though he had the funds to do so.

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Barker is facing a maximum potential penalty of five years in federal prison on each of the four count on which he was found guilty. His actual sentence will be determined and imposed by Judge Magnuson at a sentencing hearing not yet scheduled.

This case was the result of an investigation by the Internal Revenue Service, Criminal Investigation Division. It was prosecuted by Assistant United States Attorney Mike L. Cheever.

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